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Dairy

OUTLOOK & SITUATION

Table 1—U.S. dairy situation at a glance

Item	Unit or base period	Quarterly data					
		4th 1980	4th 1981	1st 1982	2nd 1982	3rd 1982	4th 1982
Production and cow numbers:							
Total milk	Mil. lb	31,010	32,060	33,235	35,723	33,983	33,854
Milk per cow	Lb	2,856	2,917	3,016	3,246	3,082	2,972
Number of milk cows	Thou.	10,857	10,991	11,021	11,004	11,026	11,053
Prices received by farmers:							
All milk, sold to plants, 100 pounds	Dol	13.93	14.00	13.77	13.23	13.30	13.90
Percentage of parity[1]	Pct	71	67	65	65	64	63
Manufacturing grade milk, 100 pounds	Dol	12.87	12.97	12.83	12.50	12.40	12.97
Parity equivalent	Dol	16.57	17.89	18.68	18.86	18.98	18.86
Fat content	Pct	3.81	3.81	3.77	3.62	3.57	3.82
Minnesota-Wisconsin (3.5% fat), 100 pounds	Dol	12.52	12.53	12.49	12.43	12.44	12.58
Milk eligible for fluid market, 100 pounds	Dol	14.10	14.20	13.97	13.43	13.47	14.07
Price ratio and dairy ration value:							
Milk-feed relationship	Lb.	1.40	1.54	1.54	1.47	1.51	1.61
Value of concentrate ration fed, milk cows	Dol	7.61	7.74	7.60	7.50	7.66	7.31
Farm cash receipts from dairy products	Mil. dol	4,256	4,446	4,387	4,892	4,380	4,518
Production of factory products:							
Butter	Mil. lb	279.7	302.3	368.6	332.9	262.2	295.1
American cheese, whole milk	Mil. lb	569.2	611.1	655.6	740.9	662.5	633.8
Cheese, other than American	Mil. lb	435.7	426.6	393.6	437.8	437.0	470.9
Canned milk, unskimmed	Mil. lb	162.5	193.6	173.3	195.0	185.6	184.6
Dry whole milk	Mil. lb	22.3	26.3	26.6	29.2	21.4	24.5
Frozen products[2]	Mil. gal	241.2	244.8	251.1	334.7	347.8	252.4
Creamed cottage cheese	Mil. lb	185.1	176.3	184.0	197.2	192.8	174.2
Total (milk-equivalent, fat-solids basis)[3]	Mil. lb	16,672	17,626	19,414	21,419	19,431	18,107
Nonfat dry milk, human use	Mil. lb	231.5	291.4	336.6	417.2	346.7	296.8
Wholesale prices:							
Butter, Grade A, Chicago, pound	Ct	147.5	149.2	147.6	147.3	148.0	147.9
Cheese, American (40-pound blocks), f.o.b., Wisconsin assembling points, pound	Ct	140.6	140.6	137.7	137.2	137.8	140.4
Evaporated milk, case	Dol	20.60	21.90	21.99	22.02	22.02	22.02
Nonfat dry milk, pound, f.o.b. Central States, high heat	Ct	93.5	93.4	93.3	93.0	93.1	93.2
Dairy products (BLS)	1967=100	240.2	247.2	247.9	248.5	248.8	250.3
Retail prices (BLS):							
Consumer price index[4]	1967=100	256.2	280.7	283.0	287.3	292.8	293.4
All food[4]	1967=100	264.4	277.5	282.4	285.7	287.8	286.6
All dairy products[4]	1967=100	235.4	245.0	246.3	246.9	247.3	247.4
Fluid milk and cream	12/77=100	130.5	134.9	135.3	135.6	135.4	135.2
Whole milk	1967=100	213.6	220.7	221.5	221.8	221.2	221.2
Other	12/77=100	130.3	135.1	135.3	135.8	135.9	135.3
Manufactured dairy products	12/77=100	136.7	143.6	144.7	145.2	146.1	146.5
Butter	1967=100	240.5	248.0	249.4	250.7	251.8	252.4
Cheese	12/77=100	135.4	141.0	142.7	143.6	144.6	144.6
Frozen desserts	12/77=100	139.5	149.8	150.1	149.7	150.1	151.5
Other	12/77=100	130.7	138.5	139.3	139.4	141.0	141.2
Margarine	1967=100	254.2	255.8	257.1	260.2	258.5	257.5
Stocks, end of quarter:							
Creamery butter	Mil. lb	304.6	429.2	447.8	541.6	510.0	466.8
Cheese, total[5]	Mil. lb	690.7	975.8	897.8	995.3	1,061.5	1,064.3
Canned milk, unskimmed	Mil. lb	53.0	46.8	48.2	89.6	104.3	57.9
Dry whole milk	Mil. lb	5.3	6.0	6.9	9.6	7.3	6.0
Total (milk-equivalent, fat-solids basis)[6]	Mil. lb	12,958	18,377	18,020	20,994	20,963	20,065
Nonfat dry milk	Mil. lb	586.8	889.7	975.6	1,132.4	1,240.1	1,282.0
Commercial disappearance:							
Creamery butter	Mil. lb	237.9	243.2	213.3	216.5	222.9	246.1
Cheese, American	Mil. lb	535.4	548.4	534.7	527.5	538.7	506.2
Cheese, other than American	Mil. lb	543.8	528.6	444.8	478.1	483.5	588.1
Canned milk, unskimmed	Mil. lb	225.0	246.0	170.1	149.5	166.3	228.0
Milk in all products	Mil. lb	30,217	30,560	28,666	31,037	31,883	31,414
Nonfat dry milk	Mil. lb	112.7	118.0	94.4	75.2	150.0	120.1
USDA net removals:							
Butter	Mil. lb	49.4	44.4	164.1	130.7	42.9	44.6
Cheddar cheese	Mil. lb	42.3	73.2	127.9	220.1	177.3	117.1
Nonfat dry milk	Mil. lb	110.2	174.6	235.0	309.3	234.7	173.9
Evaporated milk	Mil. lb	5.6	4.0	3.9	5.5	6.0	5.3
Total (milk-equivalent, fat-solids basis)	Mil. lb	1,449	1,649	4,660	4,886	2,651	2,089

[1]Seasonally adjusted prices as percentage of parity price. [2]Ice cream, ice milk, and sherbet. [3]Includes manufactured products for which current data are available. [4]For all urban consumers starting January 1978. [5]Natural plus processed American cheese held by CCC. [6]Excludes cream and bulk condensed milk.

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The next issue of the *Dairy Outlook and Situation* will be published in June.

Summary

USDA announced on March 16 that an assessment of 50 cents per cwt on all milk sold by producers will begin April 16. While making the announcement, the Secretary of Agriculture noted that he will delay implementing the second congressionally authorized 50-cent assessment to give Congress time to adopt more effective legislation. However, if no new legislation is enacted by August 1, the Department will have to reconsider the implementation of the second assessment.

Milk production this winter continued above a year earlier, but gains are expected to slow. Meanwhile, commercial disappearance should continue to improve. So, USDA removals of dairy products relative to a year earlier are expected to slacken in coming months. However, with supplies still more than ample, 1983 farm prices of milk will likely remain near a year earlier. Wholesale prices may be unchanged to 2 percent higher, while retail prices could rise 1 to 3 percent.

Milk production for the first 2 months of 1983 was up almost 2 percent from 1982. In January, output per cow rose 1.3 percent from a year earlier and gained 2 percent in February. A 0.3-percent rise in the number of dairy cows also contributed to increased milk output. While the percentage increase in the herd was small, it does indicate that the expansion that began in 1979 is not over.

Milk production during 1982 was 135.8 billion pounds, a gain of 2.8 billion (about 2 percent) from the 1981 record. As has been the case since mid-1979, the basis for the additional production was both a gain in cow

numbers and more milk per cow. Each quarter of 1982 posted a year-over-year expansion in production, with October-December leading the way with 2.5 percent.

Milk cows on farms on January 1, 1983, numbered 11.1 million head, 54,000 more than a year earlier. Nevertheless, the number of cows is expected to decline during 1983, moving below the year-earlier level about midyear and by year's end being nearly 100,000 head lower. As a yearly average, cow numbers will likely be about unchanged. Output per cow will likely increase 2 percent in 1983. As a result, production gains can be expected for all of 1983, with total output up 1 to 3 percent from 1982's record 135.8 billion pounds.

Commercial disappearance of milk and dairy products, milk-equivalent, fat-solids basis, during October-December 1982 was up almost 3 percent from a year earlier, following a 2.5-percent gain during the first half of the year and a small rise in the third quarter. For all of 1982, commercial disappearance was 123 billion pounds, up about 2 percent from 1981. The fourth-quarter rise marked the seventh consecutive quarter that use increased from a year earlier.

This year, commercial disappearance is expected to increase again, by 2 percent. The gain would result from a relatively small increase in retail prices and a second-half recovery in the economy. In light of expected supplies and disappearance, USDA removals for calendar 1983 are expected to be between 12 to 16 billion pounds, milk equivalent, compared with 14.3 billion in 1982.

Producer prices for all milk during January-February averaged $13.80 per cwt, 5 cents below a year earlier and 25 cents less than 2 years ago. With surplus supplies of milk and no increase in manufacturing prices, the 1983 average all-milk price will likely be little changed from 1982 and could even be slightly lower.

USDA's reported all-milk price will not reflect the 50-cent-per-cwt assessment. However, the assessment would lower the effective price received by farmers by nearly 4 percent for those months it would be in place.

Supplies that are larger than use and no change in the Commodity Credit Corporation's (CCC) purchase prices have limited price gains in wholesale and retail markets for dairy products. During January, the Bureau of Labor Statistics (BLS) index for wholesale dairy prices stood at 250.7 (1967=100), up 1.2 percent from a year earlier. For 1982, the index averaged 248.9—an increase of only 1.3 percent from 1981 and the smallest since 1965.

Because of continued large supplies, wholesale prices will likely remain near current levels until late summer. As the economy improves, some wholesale dairy prices could strengthen slightly, if gains in milk production slow. However, because milk supplies will still be large and purchase prices will likely remain unchanged, only a little upward movement, at best, can be expected.

Reflecting the small gains in wholesale prices, retail prices of milk and dairy products have also gained relatively little. In January, the BLS retail index for all dairy products stood at 249.5 (1967=100), up 1.5 percent and almost 4 percent from 1 and 2 years earlier, respectively. In contrast, the all-food index was up 2.5 percent from a year earlier and about 7 percent from January 1981. The dairy product index averaged 247 in 1982, a 1.4-percent gain from 1981, while the all-food index increased 4 percent.

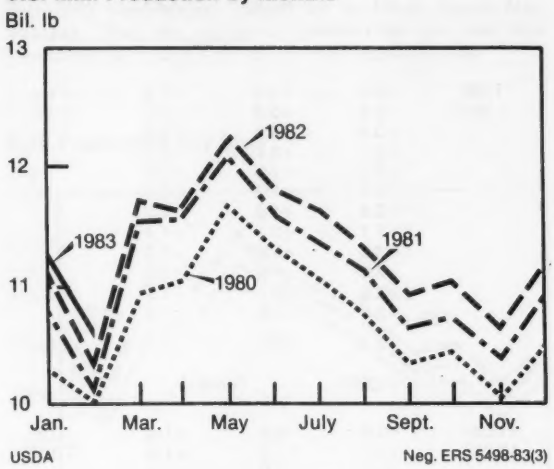
Dairy Situation

PRODUCTION

Expansion Continues

Milk production for the first 2 months of 1983 was up 1.9 percent from a year earlier, because output per cow rose 1.3 percent in January and 2 percent in February. A 0.3-percent rise in the number of dairy cows also contributed to increased production. While the percentage increase in the herd was less than a year earlier, the small gain does indicate that the production expansion that began in May 1979 is not over.

U.S. Milk Production by Months



From the end of World War II until 1979, there was a strong downward trend in the number of milk cows. Meanwhile, large gains in dairy cow productivity allowed production in 1979 to be 5 percent higher than in 1946, even though the number of cows was down by more than half. However, during February 1983, cow numbers were 3.2 percent more than in mid-1979.

Of the 33 States surveyed, 22 increased production in early 1983, 8 showed declines, and 3 were equal to 1982. In general, most areas of the country increased production.

Of the five major dairy States, all were producing at levels above January and February 1982. Milk production in Wisconsin, the leading producer, rose 1.9 percent from a year earlier. California's output rose 0.4 percent, while New York's was up 2.7, Pennsylvania's posted a gain of 3.5, and Minnesota's increased 0.3 percent from a year earlier.

1982 Production Review

Milk production during 1982 was 135.8 billion pounds, a gain of 2.8 billion (2.1 percent) from the 1981 record. As has been the case since mid-1979, the basis for the additional production was both a gain in cow numbers from year-earlier levels and more milk per cow. Each quarter of 1982 posted a year-over-year expansion in production, with October-December leading the way with 2.5 percent.

The average number of milk cows on farms during 1982 was up almost 1 percent from 1981, following a gain of 1 percent in 1981 and 0.6 percent in 1980. This was the first consecutive 3-year expansion in the average size of the Nation's dairy herd since 1942-44. With the exception of April-June 1982, the average size of the herd compared with the previous quarter has been expanding since second-quarter 1979. However, when compared with a year earlier, the expansion in numbers slowed throughout 1982—from an increase of 144,000

Table 2—Milk cow numbers, milk per cow, and changes by production regions, 1982

Production regions	Milk cow numbers[1]	Milk per cow	Change from year earlier: Milk cow numbers[1]	Milk per cow	Milk production
	1,000 hd	*Pounds*		*Percent*	
Northeast	2,200	12,435	+1.0	+1.1	+2.1
Lake States	3,127	12,416	+0.7	+1.0	+1.7
Corn Belt	1,457	11,494	+0.5	+1.3	+1.8
Northern Plains	506	10,836	+1.2	−2.4	−1.2
Appalachian	796	11,035	−0.3	+2.4	+2.1
Southeast	428	10,909	−0.2	+0.6	+0.4
Delta States	283	9,473	−1.0	+2.3	+1.2
Southern Plains	440	11,216	+1.4	+1.1	+2.5
Mountain	530	13,425	+4.6	+1.6	+6.3
Pacific[2]	1,251	15,221	+2.1	+0.9	+3.0
United States[2]	[3]11,032	[3]12,310	+1.0	+1.1	+2.1

[1]Average number during the year. [2]Includes Alaska and Hawaii. 3/ May not add to totals because of rounding.

Milk Cows on Farms

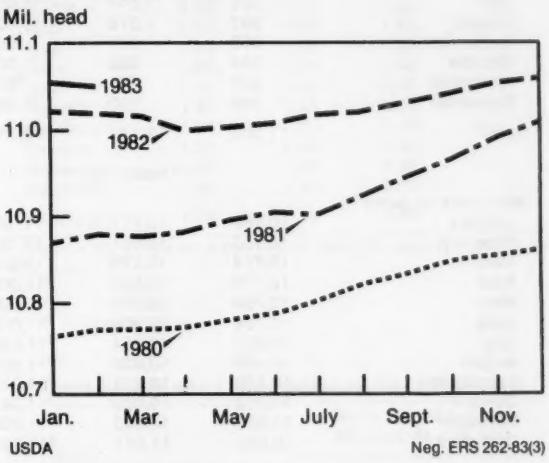


Table 3—Milk production, milk per cow, and milk cows on farms, by months, 1980-83, with comparisons

Item	1980	1981	1982	1983[1]	Change from year earlier			
					1980	1981	1982	1983
	Million pounds				*Percent*			
Milk production[2]								
January	10,320	10,805	11,116	11,292	+3.6	+4.7	+2.9	+1.6
February	9,972	10,161	10,391	10,627	+7.4	+1.9	+2.3	+2.3
March	10,945	11,549	11,728		+3.9	+5.5	+1.5	
April	11,024	11,555	[3]11,650		+4.0	+4.8	+0.8	
May	11,697	12,099	[3]12,248		+4.0	+3.4	+1.2	
June	11,335	11,606	[3]11,825		+3.5	+2.4	+1.9	
July	11,075	11,387	[3]11,648		+3.7	+2.8	+2.3	
August	10,794	11,132	[3]11,375		+3.7	+3.1	+2.2	
September	10,353	10,659	[3]10,960		+3.7	+3.0	+2.8	
October	10,461	10,768	[3]11,055		+4.0	+2.9	+2.7	
November	10,055	10,387	[3]10,645		+4.5	+3.3	+2.5	
December	10,494	10,905	[3]11,154		+4.1	+3.9	+2.3	
Total[4]	128,525	133,013	135,795		+4.1	+3.5	+2.1	
	Pounds				Percent			
Milk per cow[2]								
January	958	994	1,008	1,021	+3.8	+3.8	+1.4	+1.3
February	926	934	943	962	+7.4	+0.9	+1.0	+2.0
March	1,016	1,062	1,064		+3.6	+4.5	+0.2	
April	1,023	1,061	[3]1,059		+3.4	+3.7	−0.2	
May	1,084	1,110	[3]1,113		+3.3	+2.4	+0.3	
June	1,050	1,064	[3]1,074		+2.6	+1.3	+0.9	
July	1,025	1,044	[3]1,057		+2.8	+1.9	+1.2	
August	997	1,018	[3]1,032		+2.7	+2.1	+1.4	
September	955	974	[3]993		+2.8	+2.0	+2.0	
October	964	982	[3]1,001		+3.0	+1.9	+1.9	
November	926	945	[3]963		+3.5	+2.1	+1.9	
December	966	990	[3]1,008		+3.3	+2.5	+1.8	
Total[4]	11,889	12,177	12,316		+3.5	+2.4	+1.1	
	Thousands				Percent			
Milk cows on farms[5]								
January	10,769	10,871	11,023	11,055	−0.2	+0.9	+1.4	+0.3
February	10,773	10,881	11,022	11,051	+0.1	+1.0	+1.3	+0.3
March	10,774	10,879	11,019		+0.3	+1.0	+1.3	
April	10,775	10,886	[3]11,000		+0.5	+1.0	+1.0	
May	10,789	10,898	[3]11,003		+0.7	+1.0	+1.0	
June	10,794	10,906	[3]11,010		+0.8	+1.0	+1.0	
July	10,803	10,904	[3]11,020		+0.9	+0.9	+1.1	
August	10,829	10,930	[3]11,024		+1.0	+0.9	+0.9	
September	10,838	10,949	[3]11,034		+0.8	+1.0	+0.8	
October	10,852	10,969	[3]11,045		+0.9	+1.1	+0.7	
November	10,858	10,993	[3]11,055		+1.0	+1.2	+0.6	
December	10,862	11,011	[3]11,060		+0.8	+1.4	+0.4	
Annual average	10,810	10,923	11,026		+0.6	+1.0	+0.9	

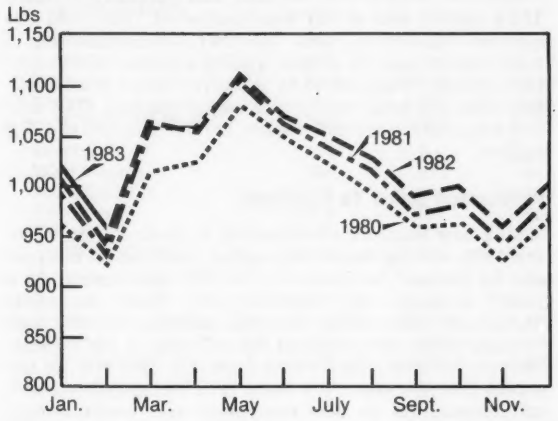
[1]Preliminary. [2]Excludes milk sucked by calves. [3] ERS derived data consistent with published official USDA quarterly estimates—no monthly data for an individual state or region is available. [4]May not add because of rounding. [5]Excludes heifers not yet fresh.

cows during January-March to 62,000 during October-December.

The continued expansion in the herd during 1982 was possible because of the large number of replacements available to enter the herd, due to the relatively higher number of dairy heifer calves retained in 1980. The retention of more heifers in 1980 reflected that year's two support price increases and an expectation of future gains in dairy income. The slowing in the growth of the herd from a year earlier was caused by record culling, likely the result of virtually no increase in support prices since October 1980, the Omnibus Budget Reconciliation of 1982 Act that authorized a deduction from the cash receipts of marketings, harsh late winter weather during March-May, and some poor-quality roughage.

Milk output per cow increased an average of 1.1 percent in 1982, compared with the previous year's expansion of 2.4 percent. The gain from a year earlier for each quarter ranged from 0.3 percent in the second to almost 2 percent in the fourth. The smaller gains during first-half 1982 were mainly caused by the harsh March-May weather. But, the moderate increase for the year was also affected by the large number of replacements.

Milk Production Per Cow



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Milk production increases occurred in 9 of the 10 farm production regions during 1982. The one region experiencing a decline, the Northern Plains, was down 1.2 percent because of a sharp drop in output per cow. The Mountain area had the largest increase in production, up 6.3 percent because of a 4.6-percent gain in cow numbers and a 1.6-percent rise in output per cow. Production gains in the four primary regions were led by a 3-percent expansion in the Pacific, followed by about a 2-percent rise in the Northwest, Corn Belt, and Lake States. All five of the major milk-producing States increased production last year. Pennsylvania and Minnesota led with gains of about 3 percent, followed by California with nearly 2 percent. Wisconsin and New York were up 1 and 0.7 percent, respectively. Of all the States, New Mexico had the largest increase in production during 1982, a jump of 21 percent. On a year-to-year basis, production declined in only seven States.

January Milk Cow Inventory Larger

Milk cows on farms on January 1, 1983, numbered 11,066,000 head, an increase of 46,000 from July 1, 1982, and 54,000 (0.5 percent) more than a year earlier. Dairy heifers (500 pounds and over) held for herd replacements were even with a year earlier—slightly more than 4.5 million head. With the same number of heifers and a few more cows, the number of heifers was 41 per 100 cows, down only slightly from the record levels of 41.2 and 43.4 on January 1 and July 1, 1982, respectively.

A large rate of culling during 1982 partly offset record replacements, hence the addition of only 54,000 more cows. For example, if we assume that 70 percent of a January 1 inventory of replacements enter the herd during the year, then in 1982 over 28 percent of the cow inventory—3.12 million head—left the herd. In contrast, during 1981 about 26.6 percent—2.89 million head—were culled. In other words, about 230,000 more dairy cows were sent to slaughter during 1982 than during 1981.

Table 4—Milk/feed price relationship[1]

Month	1980	1981	1982	1983
		Pounds		
January	1.54	1.39	1.55	1.58
February	1.57	1.39	1.54	1.56
March	1.55	1.41	1.52	
April	1.55	1.39	1.50	
May	1.53	1.35	1.46	
June	1.50	1.36	1.46	
July	1.47	1.40	1.47	
August	1.42	1.43	1.49	
September	1.39	1.48	1.56	
October	1.42	1.53	1.61	
November	1.40	1.56	1.62	
December	1.38	1.54	1.60	
Average	1.48	1.44	1.53	

[1]Pounds of 16 percent protein ration equal in value to 1 pound of milk.

Table 5—Milk cows and replacements, 1979-1983

Date	Milk cows (1,000 head)	Replacement heifers, 500 pounds and over	
		Number	Number per 100 cows
1979			
January 1	10,790	3,932	36.4
July 1	10,700	4,115	38.4
1980			
January 1	10,779	4,158	38.6
July 1	10,798	4,377	40.5
1981			
January 1	10,860	4,345	40.0
July 1	10,920	4,628	42.4
1982			
January 1	11,012	4,532	41.2
July 1	11,020	4,780	43.4
1983			
January 1	11,066	4,532	41.0

Table 6—Utility cow prices, Omaha

Month	1980	1981	1982	1983
		Dollars per cwt		
January	47.94	41.61	36.64	36.94
February	51.22	43.65	38.11	40.92
March	48.80	43.12	39.41	
April	45.73	43.95	41.26	
May	42.78	42.39	43.40	
June	44.06	42.88	42.73	
July	43.33	43.78	42.52	
August	45.53	44.31	42.25	
September	46.56	42.47	39.71	
October	45.93	40.60	39.28	
November	43.91	38.71	36.58	
December	42.92	36.65	35.41	
Average	45.73	42.01	39.77	

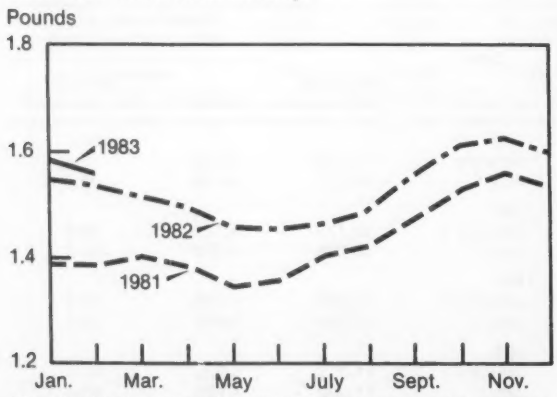
Feed Supply and Price Situation

The average price paid by farmers for 16 percent protein dairy feed declined last fall, averaging $177 a ton for the year. Prices have risen some in the first 2 months of 1983, although February's average of $177 was still below a year earlier. The large supplies of feed ingredients have held the price of dairy feed below year-earlier levels every month since September 1981.

The milk-feed price ratio declined in February 1983 to 1.56, after reaching a peak of 1.62 last November. The decline resulted from a seasonally lower all-milk price and a slightly higher 16 percent protein feed price. The all-milk price averaged $13.80 per cwt in February, compared with $14 the previous November. The milk-feed price ratio, although declining, was above a year earlier. In fact, the milk-feed price ratio has been above year-earlier levels for the past 19 months and is expected to remain that way at least until midyear.

Corn supplies in the 1982/83 marketing year are a record-high 10.7 billion bushels. However, a large share of this is held in the farmer-owned reserve and is not available at current market prices.

Milk-Feed Price Relationship*



*Pounds of 16% protein ration equal in value to one pound of milk sold to plants and dealers.

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Corn prices have recovered somewhat from the low levels reported last fall. Major factors were the announcement of the payment-in-kind (PIK) program that is expected to reduce the supply of surplus corn and the large reserve placements. The price of No. 2 yellow corn in central Illinois rose over 40 cents from the time PIK was announced on January 11 through mid-March. During February, corn in central Illinois averaged $2.62 a bushel, compared with $2.27 in December. However, while farm prices have risen, they are not expected to rise high enough to trigger any release of corn stocks held in the reserve. Farm prices in 1982/83 are forecast to average $2.40 to $2.55 a bushel, about unchanged from 1981/82's $2.50.

Soybean supplies are also large this year. With increased acreage and yields record high, 1982 production totaled 2.28 billion bushels. Combined with 266 million bushels carried in, total soybean supplies are a record-high 2.54 billion. Meanwhile, domestic livestock feeding is expected to increase, and exports are projected to rise modestly. However, the increased use is not likely to offset the larger supply, so prices could average lower than last year. Farm prices may average $5.25 to $5.75 a bushel, compared with $6.04 in 1981/82. Soybean meal prices are expected to average $165 to $185 a ton, compared with $182.50 last year.

Because of favorable weather last summer, a record 152.4 million tons of hay were harvested. The yield was a record 2.51 tons an acre. However, some of the crop in some regions may be of poor quality because of rain during harvest. When added to carryover stocks of 25.2 million tons, the total supply this season reached 177.6 million tons, only marginally below 1979/80's record of 177.9 million.

Production Gains To Continue

Milk cow numbers are expected to decline from January 1983, moving below year-earlier levels about midyear and by yearend being nearly 100,000 head lower. As a yearly average, cow numbers will likely be about unchanged. The culling rate will probably continue high because of the lower returns for milk due to the 50-cent-per-cwt deduction that starts April 16. However, to the extent that the expansion since 1979 brought about capital investments in new equipment and facilities, any reduction in cow numbers will be slowed. The heavy culling will also be countered by the large number of replacements.

Output per cow will likely increase 2 percent in 1983, partly because of the continued genetic improvement of the herd, which adds about 1 percent a year per cow. Other reasons include the milder winter weather to date (except for some mud problems in California), no anticipated weather extremes during March-May 1983, continued heavy concentrate feeding, and the heavy culling of lower producing cows.

Because of the expected gains in output per cow and little reduction in numbers, gains in total production can be expected to continue in 1983. On balance, total milk production for this year will likely be 1 to 3 percent higher than 1982's record 135.8 billion pounds.

Fewer Dairy Farms

The number of operations with dairy cows declined to 311,800 in 1982, a 3.4-percent drop from 1981. Only Utah and Idaho exhibited an increase in the number of

Table 7—Milk: Production by States and regions, 1980–1982 with comparisons

State and region	1980	1981	1982[1]	1981		1982	
				As percent of U.S. total	Change from year earlier	As percent of U.S. total	Change from year earlier
	Million pounds			*Percent*		*Percent*	
Maine	665	696	731	0.5	+5.0	0.5	+4.7
New Hampshire	347	346	363	.3	−.3	3	+4.9
Vermont	2,289	2,298	2,361	1.7	+.4	1.7	+2.7
Massachusetts	570	578	595	.4	+1.4	.4	+2.9
Rhode Island	47	46	46	(2)	−2.1	(2)	0
Connecticut	612	624	643	.5	+2.0	.5	+3.0
New York	10,974	11,069	11,147	8.3	+.9	8.2	+.7
New Jersey	494	494	492	.4	0	.4	−.4
Pennsylvania	8,496	8,965	9,264	6.7	+5.5	6.8	+3.3
Delaware	125	124	135	.1	−.8	.1	+8.9
Maryland	1,520	1,556	1,581	1.2	+2.4	1.2	+1.6
NORTHEAST	26,139	26,798	27,358	20.1	+2.5	20.1	+2.1
Michigan	4,970	5,103	5,253	3.8	+2.7	3.9	+2.9
Wisconsin	22,380	23,000	23,230	17.3	+2.8	17.1	+1.0
Minnesota	9,535	10,061	10,341	7.6	+5.5	7.6	+2.8
LAKE STATES	36,885	38,164	38,824	28.7	+3.5	28.6	+1.7
Ohio	4,310	4,385	4,550	3.3	+1.7	3.4	+3.8
Indiana	2,210	2,282	2,334	1.7	+3.3	1.7	+2.3
Illinois	2,540	2,604	2,657	2.0	+2.5	2.0	+2.0
Iowa	4,108	4,298	4,301	3.2	+4.6	3.2	+.1
Missouri	2,826	2,877	2,905	2.2	+1.8	2.1	+1.0
CORN STATES	15,994	16,446	16,747	12.4	+2.8	12.3	+1.8
North Dakota	939	995	1,005	.7	+6.0	.7	+1.0
South Dakota	1,669	1,757	1,762	1.3	+5.3	1.3	+.3
Nebraska	1,315	1,400	1,360	1.1	+6.5	1.0	−2.9
Kansas	1,330	1,397	1,356	1.0	+5.0	1.0	−2.9
NORTHERN PLAINS	5,253	5,549	5,483	4.2	+5.6	4.0	−1.2
Virginia	1,974	2,015	2,059	1.5	+2.1	1.5	+2.2
West Virginia	350	350	349	.3	0	.3	−1.9
North Carolina	1,631	1,654	1,686	1.2	+1.4	1.2	+1.9
Kentucky	2,219	2,281	2,364	1.7	+2.8	1.7	+3.6
Tennessee	2,241	2,300	2,326	1.7	+2.6	1.7	+1.1
APPALACHIAN	8,415	8,600	8,784	6.5	+2.2	6.5	+2.1
South Carolina	541	552	568	.4	+2.0	.4	+2.9
Georgia	1,367	1,396	1,412	1.0	+2.1	1.0	+1.1
Florida	2,028	2,082	2,109	1.6	+2.7	1.6	+1.3
Alabama	610	620	580	.5	+1.6	.4	−6.5
SOUTHEAST	4,546	4,650	4,669	3.5	+2.3	3.4	+0.4
Mississippi	817	860	900	.6	+5.3	.7	+4.7
Arkansas	745	793	821	.6	+6.4	.6	+3.5
Louisiana	1,012	996	960	.7	−1.6	.7	−3.6
DELTA STATES	2,574	2,649	2,681	2.0	+2.9	2.0	+1.2
Oklahoma	1,110	1,150	1,165	.9	+3.6	.9	+1.3
Texas	3,625	3,665	3,770	2.8	+1.1	2.8	+2.9
SOUTHERN PLAINS	4,735	4,815	4,935	3.6	+1.7	3.6	+2.5
Montana	314	331	341	.2	+5.4	.3	+3.0
Idaho	1,947	2,162	2,253	1.6	+11.0	1.7	+4.2
Wyoming	132	136	137	.1	+3.0	.1	+.7
Colorado	858	928	972	.7	+8.2	.7	+4.7
New Mexico	602	671	813	.5	+11.5	.6	+21.2
Arizona	1,031	1,133	1,212	.9	+9.9	.9	+7.0
Utah	1,028	1,110	1,162	.8	+8.0	.9	+4.7
Nevada	219	223	225	.2	+1.8	.2	+.9
MOUNTAIN	6,131	6,694	7,115	5.0	+9.2	5.2	+6.3
Washington	2,942	3,017	3,222	2.3	+2.5	2.4	+6.8
Oregon	1,169	1,220	1,301	.9	+4.4	1.0	+6.6
California	13,577	14,248	14,518	10.7	+4.9	10.7	+1.9
Alaska	13	13	14	(2)	0	(2)	+7.7
Hawaii	152	150	144	.1	−1.3	.1	−4.0
PACIFIC	17,853	18,648	19,199	14.0	+4.5	14.0	+3.0
UNITED STATES	128,525	133,013	135,795	100.0	+3.5	100.0	+2.1

[1]Preliminary. [2]Less than 0.05 percent.

farms with milk cows. Of the five leading milk-producing States, Wisconsin, Pennsylvania, and Minnesota maintained the same number of farms, while California and New York decreased their farms 8 and 3 percent, respectively.

California stands out for its number of large operations. This State produces more milk than any other except Wisconsin but ranks 17th by number of farms. As a result, the average farm in California sold 2.6 million pounds of milk in 1982, compared with about 0.5 million for the average Wisconsin operation.

PRICES AND INCOME

Status of Allowed Deductions

USDA announced on March 16 that an assessment of 50 cents per cwt on all milk sold by producers will begin April 16. While making the announcement, the Secretary of Agriculture noted that he will delay implementing the second congressionally authorized 50-cent assessment to give Congress time to adopt more effective legislation. However, if no new legislation is enacted by August 1, the Department will have to reconsider the implementation of the second assessment.

New Legislation Being Proposed

There are several proposed alternatives to the existing assessment program, each requiring new legislation. Some of the proposals would simply eliminate the authority for the assessments, others would allow a lower support level. In addition, some would set up production bases with contracts for adjustments, and some would have bases but no contracts. Some would require a dairy promotion assessment program.

As an early step in the process of any new legislation, the proposals (bills) that have been introduced in Congress have been referred to the Senate or House Agriculture Committees. The subcommittee for dairy in the House was scheduled to hold hearings on March 23. The Senate Agriculture Committee has not set a hearing date but likely will shortly.

Secretary Block, at the press conference on March 16, outlined certain principles he believes any solution to the dairy problem should reflect. These include freedom of initiative for individual dairy producers and maintenance of the type of program that has been in existence since 1949. In addition, Block feels any dairy program should lower surpluses by reducing production and increasing comsumption, be simple to understand and administer, and give the Secretary of Agriculture the flexibility to adjust the economic signals sent to farmers to keep the program in balance.

Farm Milk Prices Remain Lower

During January-February 1983, the average price of manufacturing grade milk was $11.85 per cwt, 5 cents below a year earlier. The simple average of reported Grade B prices during 1982 was $12.67 per cwt, down 6 cents from 1981. For 1983, Grade B prices will likely be little changed or down slightly because of the more-than-ample supplies of milk, no change in the level of support, and the higher costs (principally natural gas) of manufacturing dairy products.

The price of milk eligible for fluid use averaged $14 per cwt for the first 2 months of 1983, also down 5 cents from a year earlier. For all of 1982, the price of Grade A milk averaged 21 cents below a year earlier. Grade A prices in 1983 are expected to average slightly less because of a lower fluid utilization rate and a possibly stable to slightly declining price of manufacturing (Minnesota-Wisconsin) grade milk.

Minimum Class I prices in Federal order markets continue to reflect the stable overall price situation in the dairy industry. During the first quarter of 1983, the average Class I price was unchanged from the preceding month in 2 of the 3 months. For April, the average Class I price will be $14.74 per cwt, down 3 cents from March but 13 cents above a year earlier and 17 cents above 1982's low of $14.57 in September.

Over-order payments negotiated by cooperative associations have also been stable. In March, the estimated average over-order payment in Federal order markets was 57 cents, the same as the preceding month and 9 cents below a year earlier.

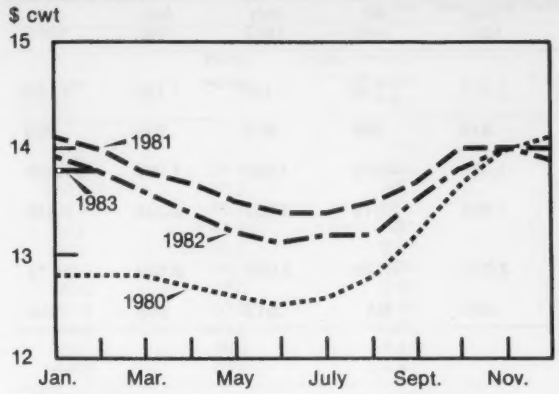
Producer prices for all milk during January-February averaged $13.80 per cwt, 5 cents below a year earlier and 25 cents below 2 years ago. The all-milk price will fall

Table 8—Milk prices received by farmers

Month	All sold to plants				Manufacturing grade			
	1980	1981	1982	1983	1980	1981	1982	1983
				Dollars per cwt				
January	12.80	14.10	13.90	13.80	11.70	13.00	13.00	12.90
February	12.80	14.00	13.80	13.80	11.70	12.90	12.80	12.80
March	12.80	13.80	13.60		11.80	12.80	12.70	
April	12.70	13.70	13.40		11.80	12.70	12.60	
May	12.60	13.50	13.20		11.70	12.60	12.50	
June	12.50	13.40	13.10		11.70	12.50	12.40	
July	12.60	13.40	13.20		11.60	12.40	12.30	
August	12.80	13.50	13.20		11.80	12.40	12.30	
September	13.20	13.70	13.50		12.20	12.60	12.60	
October	13.70	14.00	13.80		12.70	12.90	12.90	
November	14.00	14.00	14.00		12.90	13.00	13.00	
December	14.10	14.00	13.90		13.00	13.00	13.00	
Average [1]	13.00	13.80	13.55		12.00	12.70	12.67	

[1] Simple average of reported monthly prices.

All Milk Prices*



*U.S. average price received by farmers for deliveries to plants and dealers.

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seasonally from February through midyear and then recover by fall; but with ample supplies of milk and no increase in manufacturing prices, the all-milk price will likely be little changed from 1982 and could average slightly lower.

USDA's reported all-milk price will not reflect the 50-cent-per-cwt assessment. However, the assessment would lower the effective price received by farmers by nearly 4 percent for those months it would be in place.

Cash Receipts Up Slightly

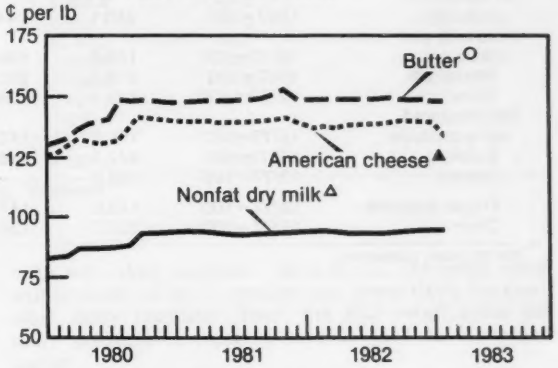
With the amount of milk and cream sold to plants and dealers during January-February up 1.9 percent and the all-milk price down 0.4 percent, cash receipts are estimated to have increased only about 1.5 percent for the first 2 months of 1983 compared with a year earlier. Cash receipts during 1982 are estimated to have totaled $18.2 billion, up about 0.5 percent. Total marketings were likely up 2.2 percent to about 132 billion pounds, while the all-milk price was down about 1.6 percent. Cash receipts in 1983 are expected to increase 1 to 3 percent, reflecting the expected gain in milk production and no change in the all-milk price. However, if the receipts are adjusted to account for the assessment, they could decline slightly.

Dairy Product Prices Continue Languid

The effects of more-than-ample supplies relative to use and no change in CCC purchase prices from October 1980 levels have limited price gains in wholesale and retail markets for dairy products. During January, the BLS index of wholesale dairy prices stood at 250.7 (1967=100), up 1.2 percent from a year earlier. For 1982, the index averaged 248.9—an increase of only 1.3 percent from the 1981 average and the smallest rise since 1965. For the year, the wholesale price gains for ice cream and cheese matched the overall dairy index. Meanwhile, fresh whole milk (up 1.8 percent) was above the industry average, while butter (up 0.6 percent) and nonfat dry milk (up 0.1 percent) worked to lower the average gain in the index.

Looking at the products that USDA buys, there has been very little change in prices for over 2 years. The average price for Grade A butter in Chicago during February, about 1.47 cents a pound, was less than 1 cent lower than a year earlier and even with February 1981. Likewise, the price of nonfat dry milk (high heat, Central States area), 93.4 cents a pound, has been about unchanged for the last 2 years. Meanwhile, the price of

Wholesale Dairy Product Prices



○Grade AA Chicago. △High-heat, central-states. ▲40-lb. block, Wisconsin assembly points.

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Table 9—Wholesale dairy product prices and indexes

Item	Unit	Feb.'81	Aug.'81	Avg.'81	Feb.'82	Aug.'82	Avg.'82	Feb.'83
Butter, A, Chicago	cents/lb	147.25	148.03	147.99	147.47	148.07	147.69	147.25
Cheese, 40-lb blocks, Wisconsin assembly points	cents/lb	139.25	139.26	139.44	137.38	137.76	138.27	133.88
Nonfat dry milk, Central States, high heat	cents/lb	93.31	92.83	93.11	93.12	93.12	93.15	93.38
Wholesale price index (all dairy products)	(1967=100)	245.0	245.3	245.6	248.0	248.8	248.9	NA
Fresh whole milk	(1967=100)	194.0	194.2	194.4	196.8	198.2	197.9	NA
Butter	(1967=100)	224.0	224.8	225.6	227.2	227.4	226.9	NA
Cheese	(1967=100)	308.3	308.5	309.4	312.3	315.8	313.4	NA
Nonfat dry milk	(1967=100)	464.0	460.3	462.6	464.0	461.5	462.9	NA
Ice cream	(1967=100)	231.2	233.6	232.8	233.9	235.1	235.9	NA

NA = Not available.

Table 10—Retail dairy product prices

Item	Unit	Jan. 1981	July 1981	Avg. 1981	Jan. 1982	July 1982	Avg. 1982	Jan. 1983
Milk, fresh, whole,[1]	$ per 1/2 gal	1.104	1.118	1.117	1.134	1.123	1.124	1.134
Milk, fresh, skim	$ per 1/2 gal	.954	.980	.976	.988	.978	.979	.993
Milk, fresh, lowfat	$ per 1/2 gal	1.070	1.058	1.065	1.072	1.064	1.062	1.068
Butter, salted, Grade AA, sticks	$ per lb	1.992	1.992	1.993	2.019	2.057	2.046	2.048
Ice cream, prepackaged, bulk, regular	$ per 1/2 gal	1.938	2.024	2.016	2.128	2.092	2.102	2.179
Yogurt, natural, fruit-flavored	$ per 1/2 pt	.491	.504	.500	NA	.513	.503	.514

[1]Vitamin D fortified.

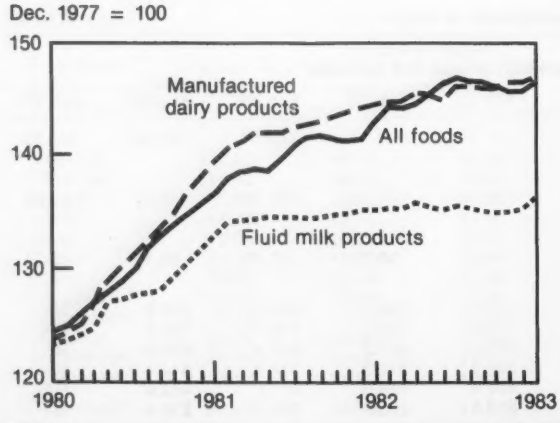
NA = Not available.

Table 11—Retail price indexes[1]

Item	Index base	Jan. 1981	July 1981	Avg. 1981	Jan. 1982	July 1982	Avg. 1982	Jan. 1983
Consumer price index	1967=100	260.5	274.4	272.4	282.5	292.2	289.1	292.6
All food	1967=100	268.6	276.2	274.6	281.0	288.5	285.7	288.1
All dairy products	1967=100	240.1	244.2	243.6	245.8	247.5	247.0	249.5
Fluid milk and cream	12/77=100	133.0	134.9	134.5	135.1	135.6	135.4	136.7
Whole milk	1967=100	218.2	220.7	220.2	221.2	221.6	221.4	223.7
Other	12/77=100	132.1	134.9	134.5	135.1	136.2	135.6	136.9
Manufactured dairy products	12/77=100	139.6	142.5	142.2	144.4	145.9	145.6	147.1
Butter	1967=100	242.7	245.8	245.5	249.3	251.1	251.1	253.4
Cheese	12/77=100	138.2						
Frozen desserts	12/77=100	143.6	147.6	147.3	150.8	150.4	150.4	152.5
Other	12/77=100	133.3	136.6	136.3	138.4	141.3	140.2	141.6

[1]For all urban consumers.

Retail Food and Dairy Product Prices



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cheddar cheese (Wisconsin assembly points, 40-lb blocks) averaged about $1.34 a pound, 3.5 cents lower than a year earlier and 5.4 cents below February 1981.

Because of continued large supplies, wholesale prices are likely to remain near current levels until late summer. As the economy improves, some prices could strengthen if gains in milk production are slow. However, because supplies of milk will still be large and purchase prices will likely remain unchanged, only a little upward movement, at best, can be expected. For all of 1983, the BLS wholesale price index for dairy products will likely be unchanged to 2 percent higher.

Reflecting the small gains in wholesale prices, retail prices of milk and dairy products have also gained relatively little. In January, the BLS retail index for all dairy products stood at 249.5 (1967=100), up 1.5 and 3.9 percent from 1 and 2 years earlier, respectively. In contrast, the all-food index was up 2.5 percent from a year earlier and 7.3 percent from January 1981. The dairy products index averaged 247 in 1982, a 1.4-percent gain from 1981, while the all-food index increased 4 percent.

In January, the retail price of butter was nearly $2.05 a pound, up about 3 cents from a year earlier but down a

Table 12—Grade A vitamin D fortified whole milk: Farm value, marketing costs by function, and retail price per half-gallon

Year	Farm value	Marketing functions				Retail price
		Procuring	Processing	Wholesaling	Retailing	
			Cents			
1972	29.4	2.2	9.9	10.5	6.5	58.5
1973	33.2	2.5	11.6	11.6	5.1	64.0
1974	40.9	2.7	10.7	13.6	8.9	76.8
1975	41.2	2.8	11.4	13.6	7.9	76.9
1976	46.2	2.8	10.6	12.1	9.3	81.0
1977	45.1	2.9	13.2	12.6	8.3	82.1
1978	47.0	3.1	14.6	14.3	7.1	86.1
1979	52.0	3.4	15.1	14.2	11.3	96.0
1980	55.8	3.7	14.0	14.4	17.0	104.9
1981	59.3	4.1	14.2	16.8	17.3	111.7
1982[1]	58.6	4.4	14.6	17.5	17.4	112.4

[1]Preliminary.

Table 13—Production of selected manufactured dairy products, annual, 1980-82

Item	1980	1981	1982[1]	Change from year earlier	
				1981	1982
		Million pounds		*Percent*	
Butter	1,145.3	1,228.2	1,258.8	+7.2	+2.5
American cheese	2,375.8	2,608.5	2,692.7	+9.8	+3.2
Other cheese	1,608.5	1,620.5	1,739.2	+0.7	+7.3
Cottage cheese[2]	1,004.4	981.7	959.6	−2.3	−2.3
Canned milk	724.7	757.9	738.5	+4.6	−2.6
Dry whole milk	82.7	92.7	101.7	+12.1	+9.7
Ice cream	829.8	832.2	850.4	+.3	+2.2
Milk equivalent[3]	74,085	77,862	[4]81,600	+5.1	+4.8
Nonfat dry milk	1,160.7	1,314.3	1,397.2	+13.2	+6.3

[1]Preliminary. [2]Creamed and lowfat. [3]Total reported manufactured products. [4]Estimated.

penny from midyear. For all of 1982, the price of Grade AA butter averaged nearly $2.05, up 5.3 cents from 1981. Like butter, the average price of ice cream for 1982 was above 1981—$2.10 a half-gallon versus $2.02. But, unlike butter and ice cream, the average prices of yogurt (50.3 cents) and whole milk ($1.12) were about unchanged from 1981.

The average retail price of a half-gallon of Grade A vitamin D fortified whole milk in 1982—112.4 cents according to BLS—was less than 1 cent more than in 1981, the smallest gain since 1975. The gap between 1981 and 1982 prices declined throughout the year, and during September-December 1982, prices were less than those in 1981. The slight increase in 1982's average retail price reflects a 1.4-cent gain in marketing costs, which was partly offset by a 0.7-cent loss in farm value.

The 1982 farm value of a half-gallon of Grade A fortified whole milk sold in retail stores was 58.6 cents, down 1.2 percent from 1981 and the first decline since 1977. The farmer's share of each dollar consumers spent for a half-gallon of milk was 52 percent in 1982, down from 53 percent in 1981. The farmer's share of the retail price has declined each year since reaching 57 percent in 1976; marketing costs have risen at a greater rate than the farm price of milk.

In 1983, the farm value of a half-gallon of fresh whole milk is expected to decline slightly, while marketing costs will likely increase. As a result, the retail price will probably be up. A similar case seems likely for most other dairy products. Thus, the BLS retail index for dairy products is expected to average 1 to 3 percent higher.

UTILIZATION

Dairy Product Output Larger

Production of dairy products in fourth-quarter 1982 rose 2.7 percent from 1981, pushing total yearly output to a record 78.4 billion pounds, milk-equivalent, fat-solids basis.

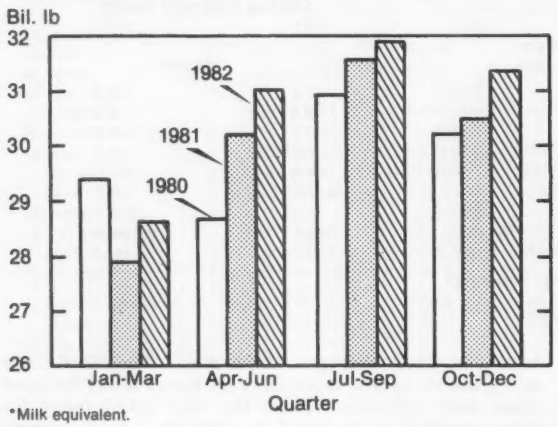
With fluid sales down, the increase in milk production last year went into manufactured products. While butter production in the fourth quarter dropped from a year earlier, production for the year totaled 2.5 percent more than in 1981. Cheese production rose nearly 5 percent last year. Ice cream and sherbet rose 2 and 1 percent, respectively, while the output of ice milk remained the same. For the year, creamed cottage cheese and canned milk were the dairy products whose production was below that in 1981. On a percentage basis, the production of Italian cheese and nonfat dry milk showed the most dramatic increases, 8 and 6 percent, respectively.

Table 14—Wisconsin out-of-State milk shipments

Month	1981		1982[1]		1983[1]	
	Loads	Volume	Loads	Volume	Loads	Volume
	Number	*Thousand pounds*	*Number*	*Thousand pounds*	*Number*	*Thousand pounds*
January	4	188	57	2,679	13	611
February	7	329	31	1,457	7	329
March	2	94	20	940		
April	0	0	7	329		
May	0	0	15	705		
June	0	0	22	1,034		
July	48	2,256	25	1,175		
August	41	1,927	23	1,081		
September	118	5,546	68	3,196		
October	25	1,175	20	940		
November	40	1,880	50	2,350		
December	23	1,081	14	658		
Total	308	14,476	352	16,544		

[1]Changes in marketing practices in the Chicago market and adjacent Federal order markets may affect the comparability of this data.

Commercial Disappearance of Milk in All Products*



*Milk equivalent.

USDA Neg. ERS 2075-83(3)

Most of the increase in manufactured output went to the two major product outlets: butter (and therefore the joint product nonfat dry milk) and cheese. Eighty percent of the net increase in milk going into manufactured products, on a milk-equivalent basis, went into cheese, and 19 percent went to butter. In 1982, the production of cheeses other than the American types rose significantly—7.3 percent after a 0.7-percent gain in 1981. Conversely, American cheese production rose 3.2 percent in 1982, less than the 10-percent climb in 1981. Manufactured dairy products are expected to continue to absorb the increase in milk production in 1983. Therefore, dairy product output could rise 5 percent this year.

Commercial Use Higher

Commercial disappearance of milk and dairy products, milk-equivalent, fat-solids basis, during October-December 1982 was up about 3 percent from a year earlier, following a rise of 2.5 percent during the first half of the year and a small gain in the third quarter. For all of 1982, commercial disappearance was 123 billion pounds, up about 2 percent from 1981. The fourth-quarter gain marked the seventh consecutive quarter that use increased from a year earlier.

Commercial disappearance is expected to rise again in 1983. The gain would result from a relatively small increase in retail prices (thereby allowing real prices of dairy products to fall) and a strong second-half recovery in the economy, which would allow real disposable income to increase. With a lower real price and higher real income, per capita use is expected to rise. Taking into account a larger population, a gain of about 2 percent is expected in 1983.

Looking briefly at disappearance for the major products, butter use was up 3 percent during 1982, while cheeses other than the American types were up about 7 percent. Meanwhile, American cheese (principally cheddar) use was nearly unchanged, while canned and nonfat dry milk were both down 5 percent. In addition, fluid sales were down about 1.3 percent, based on Federal order data.

Per Capita Use Higher

Civilian per capita domestic disappearance (including USDA donations) increased 19 pounds to 562 on a milk-equivalent, fat-solids basis during 1982. The higher commercial sales and the more-than-twofold increase in USDA donations brought about the expansion. Estimated per person use of milk fat in 1982 was 20.5 pounds, up from 1981 because higher butter, cheese, and ice cream use overcame lower whole milk consumption.

Commercial Stocks Continue Low

Total commercial dairy stocks on February 1 were 4.7 billion pounds (milk-equivalent, fat-solids basis), down 1 billion pounds from a year earlier and nearly unchanged from last fall—stocks on October 1 were 4.6 billion. Commercial holdings of butter on February 1 dropped by half, while American cheese stocks declined by 10 perent from a year earlier. While holdings by the trade remain low, Government stocks continue to be large. Milk-equivalent stocks held by USDA on February 1 totaled

Table 15—Commercial disappearance: Total milk, annual and quarters, 1980-82[1]

Item	1980	1981					1982[2]				
	Year	Quarters				Year	Quarters				Year
		I	II	III	IV		I	II	III	IV	
						Billion pounds					
Production	128.5	32.5	35.3	33.2	32.1	133.0	33.2	35.7	34.0	32.9	135.8
Farm use	2.3	.6	.6	.6	.6	2.3	.6	.6	.6	.6	2.3
Marketings	126.2	31.9	34.7	32.6	31.5	130.7	32.6	35.1	33.4	32.3	133.5
Beginning commercial stocks	5.4	5.8	5.9	5.9	5.3	5.8	5.4	5.2	5.0	4.6	5.4
Imports	2.1	.4	.5	.6	.9	2.3	.4	.7	.7	1.2	3.0
Total supply	133.7	38.1	41.1	39.1	37.7	138.8	38.4	41.0	39.1	38.1	141.9
Ending commercial stocks	5.8	5.9	5.9	5.3	5.4	5.4	5.2	5.0	4.6	4.6	4.6
Net Removals	8.8	4.3	4.8	2.1	1.6	12.9	4.7	4.9	2.7	2.1	14.3
Commercial disappearance (actual)	119.2	27.9	30.3	31.7	30.6	120.5	28.5	31.1	31.8	31.4	123.0
Percent change[3]	−0.9	[4]−3.7	+5.4	+2.8	+1.1	+1.1	+2.5	+2.5	+0.5	+2.8	+2.1

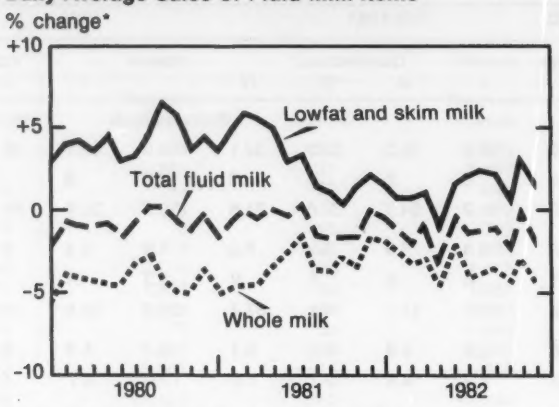
[1]Milk-equivalent, fat-solids basis. Totals may not add because of rounding. [2]Preliminary. [3]From year earlier, using unrounded data. [4]On a daily average basis.

Table 16—Commercial disappearance: Selected dairy products, 1972-82[1]

Year	Butter[2]	Cheese		Nonfat dry milk	Canned milk	Frozen products[4]
		American[3]	Other			
			Million pounds			*Million gallons*
1972	885.4	1,595.7	1,127.8	919.2	1,102.6	1,108.6
1973	855.6	1,677.1	1,210.2	1,110.1	1,056.7	1,118.6
1974	929.9	1,780.6	1,276.5	809.9	999.4	1,128.0
1975	951.0	1,717.1	1,331.9	697.0	924.0	1,183.9
1976	919.0	1,920.9	1,458.0	719.2	898.9	1,154.0
1977	859.8	1,958.8	1,512.3	682.2	775.4	1,167.6
1978	903.5	2,064.7	1,655.5	658.4	776.0	1,173.5
1979	895.0	2,113.1	1,730.4	603.0	773.6	1,152.1
1980	878.8	2,023.9	1,827.9	538.8	732.6	1,168.4
1981-1st Qtr.	188.9	521.7	438.4	104.6	177.9	249.8
2nd Qtr.	214.3	508.9	446.1	86.2	159.2	326.7
3rd Qtr.	222.9	536.5	457.4	155.4	167.1	348.0
4th Qtr.	243.2	548.4	528.6	118.0	246.0	244.8
Total	869.2	2,115.5	1,870.8	464.1	750.4	1,169.4
1982-1st Qtr.[5]	213.3	534.7	444.8	94.4	170.1	251.1
2nd Qtr.[5]	216.5	527.5	478.1	75.2	149.5	334.7
3rd Qtr.[5]	222.9	538.7	483.5	150.0	166.3	347.8
4th Qtr.[5]	246.1	506.2	588.1	120.1	233.0	252.4
Total	898.9	2,107.2	1,994.4	439.6	718.9	1,186.0

[1]Total may not add because of rounding. [2]Imports include butter-equivalent of butteroil. [3]Imports include colby cheese; stocks do not include processed cheese. [4]Excludes Mellorine. [5]Preliminary.

Daily Average Sales of Fluid Milk Items



*From year earlier. Adjusted for calendar composition.

USDA Neg. ERS 2705-83(3)

Table 17—Factors influencing and indicative of the demand for milk and dairy products, in the U.S., selected years, 1960-82

Year	Total population July 1 (including armed forces overseas)	Total civilian employment	Per capita disposable income		Civilian per capita disappearance				Retail price indexes		
			Current R	Deflated by consumer price index[1] R	Milk-equivalent	Milk solids		Margarine	Consumer price	All foods	Dairy products
					Fat-solids basis	Milk-fat	Solids-not-fat				
	Million		*Dollars*		*Pounds*				*1967=100*		
1960	180.7	65.8	1,947	2,195	653	24.5	41.4	9.4	88.7	88.0	88.4
1965	194.3	71.1	2,448	2,590	620	22.9	40.6	9.9	94.5	94.4	90.0
1966	196.6	72.9	2,613	2,688	604	22.3	40.3	10.5	97.2	99.1	95.8
1967	198.7	74.4	2,757	2,757	581	21.4	39.5	10.5	100.0	100.0	100.0
1968	200.7	75.9	2,956	2,837	577	21.2	39.7	10.8	104.2	103.6	103.3
1969	202.7	77.9	3,152	2,871	569	20.9	39.5	10.8	109.8	108.9	106.7
1970	205.1	78.7	3,390	2,915	561	20.6	39.7	11.0	116.3	114.9	111.8
1971	207.7	79.4	3,620	2,984	556	20.4	39.7	11.1	121.3	118.4	115.3
1972	209.9	82.2	3,860	3,081	558	20.5	39.4	11.3	125.3	123.5	117.1
1973	211.9	85.1	4,315	3,242	551	20.2	39.5	11.2	133.1	141.4	127.9
1974	213.9	86.8	4,667	3,160	539	19.8	37.9	11.2	147.7	161.7	151.9
1975	216.0	85.8	5,075	3,148	540	19.8	37.5	11.1	161.2	175.4	156.6
1976	218.0	88.8	5,477	3,212	540	19.8	38.2	12.0	170.5	180.8	169.3
1977	220.2	92.0	5,965	3,286	542	19.8	37.7	11.4	181.5	192.2	173.9
1978	222.6	96.0	6,621	3,388	545	20.0	37.3	11.3	195.4	211.4	185.6
1979	225.1	98.8	7,331	3,372	548	20.1	37.2	11.3	217.4	234.5	207.1
1980	227.7	99.3	8,012	3,246	544	19.9	36.6	11.4	246.8	254.6	227.4
1981	229.8	100.4	8,827	3,240	543	[2]19.9	[2]36.4	11.4	272.4	274.6	243.6
1982[2]	232.0	99.5	9,366	3,240	562	[3]20.5	[3]36.1	11.3	289.1	285.7	247.0

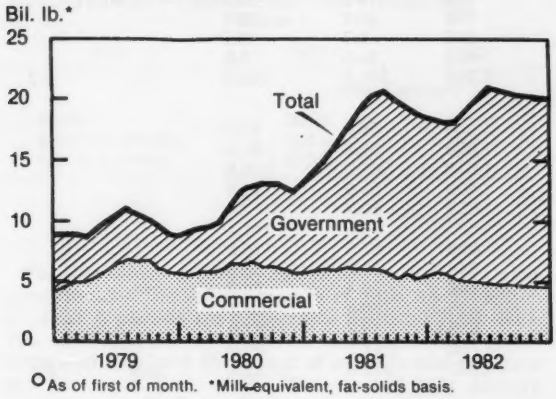
[1]1967 dollars. [2]Preliminary. [3]Estimated. R = Revised series.

Table 18—Per capita civilian consumption of selected dairy products, 1970-82

Year	Fluid milk and cream[1]	Butter	American cheese	Other cheese	Canned milk	Ice cream	Whole dry milk	Nonfat dry milk
				Pounds				
1970	263	5.3	7.1	4.4	5.9	17.6	.2	5.3
1971	259	5.1	7.4	4.7	5.7	17.5	.2	5.3
1972	262	4.9	7.8	5.3	5.1	17.3	.1	4.6
1973	255	4.8	7.9	5.7	4.8	17.3	.1	5.3
1974	243	4.5	8.6	6.0	4.4	17.4	.1	4.2
1975	243	4.7	8.2	6.1	3.9	18.5	.1	3.3
1976	242	4.3	9.0	6.7	3.7	17.9	.2	3.5
1977	239	4.3	9.3	6.8	3.2	17.5	.2	3.3
1978	235	4.4	9.6	7.4	3.1	17.4	.2	3.1
1979	232	4.5	9.6	7.6	3.0	17.1	.3	3.3
1980	227	4.5	9.7	7.9	2.8	17.4	.3	3.0
1981	222	4.3	10.1	8.0	2.9	17.2	.2	2.7
1982[2]	217	4.5	11.2	8.4	2.8	17.5	.2	2.7

[1]Milk-equivalent, fat-solids basis. [2]Preliminary.

Dairy Product Stocks:○ Milk-Equivalent Fat-Solids Basis, Beginning Jan. 1



○As of first of month. *Milk-equivalent, fat-solids basis.

USDA Neg. ERS 8448-83(3)

Table 19 —Dairy product stocks, February 1

Item	1981	1982	1983
		Million pounds	
Commercial:			
Butter	41.5	59.2	29.1
American cheese	421.8	374.8	335.8
Other cheese	97.0	85.4	89.0
Nonfat dry milk	81.7	87.7	84.4
Milkfat	204.6	200.6	164.8
Solids-not-fat	248.4	238.0	223.0
Milk-equivalent, fat-solids basis	5,817.7	5,656.0	4,667.4
Government:			
Butter	290.6	371.1	454.7
American cheese[1]	200.8	500.4	638.8
Nonfat dry milk	498.4	820.5	1,207.6
Milkfat	298.7	459.9	571.9
Solids-not-fat	541.6	943.6	1,358.6
Milk-equivalent, fat-solids basis[1]	7,987.4	12,608.7	15,703.9

[1]Does not include processed American cheese stocks held by CCC.

15.7 billion pounds, an increase of nearly 25 percent from a year ago but near last fall's total. Government stocks have held near last fall's level not because of a slowdown in purchases, but rather because of very large donations.

CCC Purchases Above Last Year

The USDA continued to buy large amounts of dairy products this winter because of surplus production. Milk-equivalent purchases totaled 3.9 billion pounds during January-February, 28 percent more than a year earlier. Butter purchases during the first 2 months of 1983 were 126 million pounds, compared with 112 million a year earlier. Meanwhile, American cheese removals, 127 million pounds, were up 56 million.

USDA net removals during 1982, on a milk-equivalent, fat-solids basis, were 14.3 billion pounds, compared with 12.9 billion in 1981, an increase of 11 percent. Relative to a year earlier, purchases of cheese increased 61 percent, with butter up almost 9 percent and nonfat dry milk 12 percent.

With gains in milk production expected to slow while commercial use continues to improve, USDA removals of dairy products relative to a year earlier are likely to slacken in coming months. Removals for calendar 1983 are expected to be between 12 and 16 billion pounds, milk equivalent.

FEDERAL ORDER SUMMARY[1]

More Producers, Larger Deliveries

During 1982, the average number of producers delivering to handlers regulated under Federal milk marketing orders rose for the third consecutive year to an average of nearly 120,600, an increase of more than 1,000 from the previous year. The rise in producer numbers represented an increase of 0.5 percent in markets where comparable data were available.

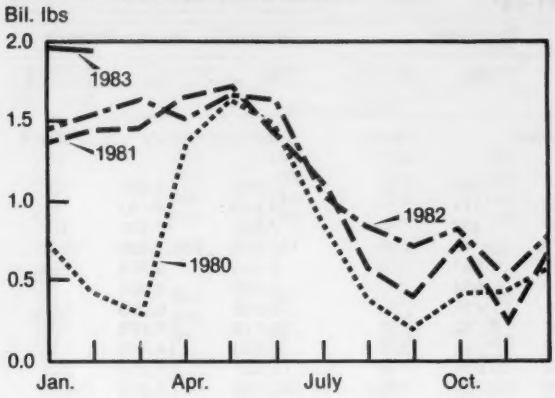
[1]Prepared by Eugene Krueger, Dairy Division, Agricultural Marketing Service, USDA, (202) 447-6328.

Table 20—Dairy products removed from the commercial market by programs of the USDA , 1975-83

Year and month	Removals[1]								
	Butter[2]	American cheese[3]	Evaporated milk[4]	Nonfat dry milk[5]	Milk equivalent	Milkfat	Solids-not-fat	As a percentage of marketings	
								Milkfat	Solids-not-fat
	Million pounds							*Percent*	
1975	63.4	68.2	24.5	394.5	2,036	77.7	405.6	1.9	4.2
1976	39.4	38.0	21.8	157.1	1,236	46.8	167.2	1.1	1.7
1977	221.8	148.2	15.9	461.7	6,080	230.8	494.9	5.3	4.8
1978	112.0	39.7	17.6	285.0	2,743	106.3	290.7	2.4	2.8
1979	81.6	40.2	16.4	255.3	2,119	81.7	261.8	1.8	2.5
1980	257.0	349.7	17.5	634.3	8,800	325.3	723.6	6.9	6.7
1981[6]									
January	51.6	31.9	1.8	55.4	1,385	52.3	64.0		
February	49.3	43.5	1.8	60.7	1,451	54.3	72.6		
March	42.5	57.5	1.5	73.5	1,449	53.4	89.1		
April	46.7	70.1	1.1	87.4	1,660	60.9	106.3		
May	48.9	70.2	1.2	97.5	1,706	62.7	116.1		
June	31.4	79.5	2.6	102.4	1,439	51.8	123.8		
July	17.7	75.2	1.6	75.7	1,113	39.1	96.4		
August	12.1	33.3	1.5	70.0	581	21.1	78.0		
September	6.9	28.6	1.6	54.0	429	15.3	61.1		
October	23.5	27.2	1.2	65.3	756	28.2	71.6		
November	3.0	18.1	1.7	45.0	245	8.7	49.2		
December	17.9	28.0	1.2	64.3	648	24.0	70.9		
Total[7]	351.5	563.0	18.6	851.3	12,861	471.7	999.2	9.7	8.7
1982[6]									
January	55.1	32.9	.8	71.1	1,464	55.5	79.2		
February	56.7	38.3	1.5	71.9	1,553	58.6	81.8		
March	52.2	56.7	1.6	92.0	1,643	61.0	106.8		
April	44.5	69.6	1.4	95.0	1,609	59.0	113.5		
May	46.3	70.3	1.4	93.6	1,653	60.7	112.4		
June	39.9	80.2	2.7	120.7	1,623	59.0	141.7		
July	18.1	68.6	1.9	98.3	1,056	37.5	116.2		
August	12.5	59.2	1.9	72.6	848	29.8	88.5		
September	12.2	49.5	2.2	63.9	746	26.4	77.2		
October	21.3	38.1	2.0	53.4	820	29.9	63.7		
November	7.8	35.4	1.5	51.7	513	18.2	61.0		
December	15.5	43.7	1.8	68.7	756	27.2	80.0		
Total[7]	382.3	642.5	20.8	952.9	14,287	522.9	1,122.1	10.6	9.6
1983[6]									
January	66.6	60.1	2.1	81.8	1,973	73.7	98.2		
February	59.2	66.8	1.4	93.9	1,886	69.9	102.1		

[1]Delivery basis, after unrestricted domestic sales. [2]Includes butter-equivalent of anhydrous milkfat, PIK, and purchases under Sec. 709, and 4a. [3]Includes purchases under Sec. 709 and 4a. [4]Includes purchases under 4a. [5]Includes PIK certificates, and purchases under Sec. 709 and 4a. [6]Preliminary. [7]Totals may not add because of rounding.

USDA Dairy Product Purchases*



*Net removals, milk-equivalent, fat-solids basis.

USDA Neg. ERS 8449-83(3)

Table 21—Uncommitted CCC inventories, March 1

Item	1982	1983
	Million pounds	
Butter	306.2	427.5
American cheese	584.6	746.4
Nonfat dry milk	920.3	1,178.0

For the year, producer deliveries to Federal order plants totaled 91.6 billion pounds of milk, up 3.6 billion or about 3 percent (in comparable markets) from 1981. The milk delivered by producers to Federal order plants accounted for about 68 percent of all milk sold to plants and dealers in the country. The average daily delivery per producer in Federal order markets continued its upward trend, reaching 2,080 pounds last year, 3 percent more than in 1981.

Milk used in Class I or fluid milk products rose slightly to 40.8 billion pounds. (However, in those markets where comparable data were available, the producer deliveries used in Class I products dropped about 1 percent.) This small change in Class I use, coupled with an increase in producer deliveries, dropped the annual Class I utilization 2 percentage points to 44 percent.

The Minnesota-Wisconsin (M-W) price series, which is the basic mover of class prices in Federal order markets, averaged $12.48 per cwt in 1982, a 9-cent decline from the previous year. This is the first time since 1962 that the M-W declined on an annual-average basis. Reflecting the decline in the M-W, minimum Class I prices dropped 7 cents to an average of $14.63. Class I prices negotiated by cooperative associations also displayed this slight downward trend. During the year, estimated average over-order payments were 61 cents per cwt, down 3 cents from 1981. As a result of the drop in the Class I utilization percentage and the decline in minimum class prices, producer blend prices in Federal order markets fell to $13.53 per cwt, down 10 cents from the previous year's average.

During 1982, sales of fluid milk products in Federal order marketing areas decreased 1.3 percent from 1981—the largest year-to-year drop since 1974. Sales of whole milk items decreased 3.4 percent, about the same rate as in recent years. However, sales of lowfat and skim milk items, which had been increasing at an annual rate of over 4 percent in recent years, increased by only 1.3 percent in 1982.

Two orders were added to the Federal milk order system; the Alabama-West Florida order became fully effective on May 1, 1982, and the Southwest Plains order started January 1, 1983. The Alabama-West Florida order consists of previously unregulated areas, while the Southwest Plains order represents the merger of four former orders plus the addition of some unregulated area. These actions reduce the number of Federal milk orders to 46.

Reconstituted Milk Pricing Issue

The U.S. Court of Appeals for the District of Columbia has reversed part of a U.S. district court dismissal of a suit to force USDA to hold a hearing on pricing reconstituted milk in Federal orders, and sent the case back to the district court for a decision on the merits. The Community Nutrition Institute (CNI), a handler, and three consumers filed suit in December 1980. It was dismissed in September 1981 on the grounds that CNI and the consumers did not have standing to sue and that the handler had not exhausted his administrative appeals before going to court. The appeals court reversed the district court only with respect to the consumers, ruling that they are entitled to sue.

The controversy began in August 1979, when CNI petitioned USDA to hold a hearing on the pricing of reconstituted milk. In April 1981, USDA issued a preliminary impact statement and denied the hearing request.

FOREIGN TRADE AND TRENDS

Imports and Exports Larger

During 1982, reported imports of dairy products were equivalent to 3 billion pounds of milk on a fat-solids basis, up about 30 percent from the previous year but equal to only about 2.5 percent of commercial disappearance. Census data indicates that imports of quota products totaled 2.7 billion pounds milk equivalent. The milk equivalent of quota items totals 2.2 billion pounds. Thus, a probable error in Census data likely occurred, since imports of quota products are strictly controlled by USDA and the U.S. Customs Service.

On a product-weight basis, 269.3 million pounds of both quota and non-quota cheese were imported during 1982, a 9-percent increase. On a milk-equivalent basis, cheese imports were about 70 percent of total imports.

Exports of U.S. dairy products were equal to 3.9 billion pounds of milk during 1982, up 27 percent from 1981. The increase was due to the export of the rest of the New Zealand butter sale made in 1981, as well as to the movement by CARE and Catholic Relief Services of dairy products to Poland and the export of the bartered dairy products to Jamaica.

Table 22—Dairy products: U.S. imports, quota and non-quota, total 1981-82[1]

Product	Calendar year quota	1981 Imports	December			Cumulative, January-December		
			1981	1982	1982 as a % of 1981	1981	1982	1982 as a % of 1981
		Thousand pounds			*Percent*	*Thousand pounds*		*Percent*
Cheese, quota types								
American-cheddar	12,205.3	12,099	2,477	1,504	61	12,099	12,682	105
-other	7,545.4	[4]7,842	3,352	574	17	[4]7,842	5,163	66
Italian-original loaves	12,374.4	7,840	2,127	1,437	68	7,840	12,139	155
-other	1,550.0	619	72	11	15	619	1,436	232
Edam and Gouda-natural	9,208.6	9,029	829	881	106	9,029	8,459	94
-processed	3,151.3	3,088	458	534	117	3,088	2,955	96
Blue mold	5,469.6	5,095	681	435	64	5,095	5,096	100
Swiss-Emmenthaler	70,278.1	66,116	7,396	6,733	91	66,116	67,193	102
-Gruyere process	16,479.0	13,300	1,872	2,044	109	13,300	14,848	112
Other-over 0.5% fat	89,466.8	77,337	27,162	26,656	98	77,337	87,995	114
-under 0.5% fat	12,621.1	10,110	2,526	1,739	69	10,110	12,249	121
Total	240,349.6	212,475	48,950	42,547	87	212,475	230,216	108
Cheese, non-quota types								
Other cow milk cheeses[2]		12,463	1,261	1,443	114	12,463	14,724	118
Miscellaneous[3]		894	57	134	235	894	1,201	134
Pecorino		20,615	2,531	2,586	102	20,615	22,291	108
Roquefort		1,214	77	97	126	1,214	910	75
Total		35,187	3,926	4,260	108	35,187	39,127	111
Total cheese, quota and non-quota	240,349.6	247,661	52,876	46,807	89	247,661	269,343	109
Other quota products								
Butter	707.0	[4]1,827	142	191	134	[4]1,827	[4]1,746	96
Butteroil	1,200.0	1,200	—	—	—	1,200	1,200	100
Butterfat mixtures	2,580.0	1,204	—	11	(5)	1,204	2,335	193
Ice cream	3,377.3	0	—	—	—	—	—	—
Frozen cream	12,540.0	12,413	580	1,689	291	12,413	[4]15,133	122
Nonfat dry milk	1,807.0	[4]2,751	392	67	17	[4]2,751	[4]1,935	70
Dried buttermilk and whey	496.0	383	128	68	53	383	355	93
Evaporated milk	1,312.0	[4]4,954	283	163	58	[4]4,954	[4]4,036	81
Condensed milk	4,079.0	386	5	1	20	386	3,129	811
Chocolate crumb-regular	21,409.2	11,691	667	723	108	11,691	18,825	161
-lowfat	4,680.0	1,026	200	1	1	1,026	740	72
Animal feed with milk solids	16,300.0	15,622	303	792	261	15,622	15,948	102
Non-quota products								
Casein		127,823	10,644	17,190	161	127,823	176,752	138
Lactose		2,381	290	161	56	2,381	1,050	44
Milk-equivalent, fat-solids basis, total all products	2,234,270	[4]2,329,206	413,386	574,939	139	[4]2,329,206	[4]3,017,335	130

[1]Preliminary. [2]Primarily soft, ripened cheeses. [3]Gjetost, Bryndza, Gammelost and Noekkelost, and Goya. [4]Probable error in reported data. [5]More than 1,000.

SOURCE: U.S. Department of Commerce, Bureau of the Census.

Table 23—U.S. dairy trade, milk-equivalent, fat-solids basis

Year and quarters	Imports		Exports	Shipments[1]
	Cheese	Other		
	Million pounds			
1980				
1st	224	142	108	135
2nd	321	35	88	139
3rd	489	18	75	142
4th	832	46	99	146
Year[2]	1,866	241	370	562
1981				
1st	306	97	85	162
2nd	393	75	428	138
3rd	451	125	806	155
4th	809	67	1,777	131
Year[2]	1,960	365	3,096	586
1982				
1st	359	62	1,558	153
2nd	439	219	938	157
3rd	538	168	592	129
4th	792	440	846	163
Year[2]	2,128	889	3,935	602

[1]To U.S. territories. [2]May not add because of rounding.

Table 24—Dairy product imports[1]
(quota and non-quota)

Year	Yearly quota[2]	Imports subject to quota	Imports not subject to quota	Total
	Million pounds			
1970	946	841	1,033	1,874
1971	973	776	580	1,356
1972	1,166	1,023	671	1,694
1973	3,608	3,263	596	3,859
1974	2,293	1,968	955	2,923
1975	1,306	976	693	1,669
1976	1,306	1,037	906	1,943
1977	1,306	1,119	849	1,968
1978	1,306	1,226	1,084	2,310
1979	1,306	1,235	1,070	2,305
1980	2,231	1,820	289	2,109
1981	2,234	2,061	268	2,329
1982	2,234	[3]2,703	314	[3]3,017

[1]Milk equivalent. [2]Includes temporary quotas authorized in 1973 and 1974. [3]Probable error in reported data.

World Production Higher

Milk production in the 36 major dairy countries in 1982 was just over 2 percent higher than a year earlier and is expected to grow about 1 percent in 1983. Cow numbers expanded 1 million head in 1982, but they will likely remain unchanged in 1983. The European Community expanded production 3.4 percent, and another 2 percent is likely in 1983. The USSR, the largest milk-producing country, was able to reverse a 5-year downward trend in 1982 and, with improved feed supplies, will likely have another increase in 1983. Drought in Australia and limited export prospects in New Zealand will keep production in both countries near 1982 levels.

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